

2001 MICHIGAN Fiduciary Income Tax Return

2001
MI-1041

This form is issued under authority of P.A. 281 of 1967. Filing is mandatory.
Penalty and interest apply for failure to file (see instructions).

Check appropriate box.

- ☐ This is an original return
☐ This is an amended return

OFFICE USE ONLY

a.	b.	c.
d.		
e.		

▶ 1. For 2001, or taxable year beginning _____, 2001 and ending _____, _____.

PART 1 IDENTIFICATION (Please type or print)	
▶ 2. Name of Estate or Trust	▶ 4. Federal Employer Identification Number (FEIN)
▶ 3. Name, Address and Title of Fiduciary	Estate Information
	5a. County
	5b. Probate File No.
	5c. Date of Death
6. FILING STATUS <input type="checkbox"/> 6a. Resident Estate <input type="checkbox"/> 6b. Nonresident Estate <input type="checkbox"/> 6c. Resident Trust <input type="checkbox"/> 6d. Nonresident Trust	Trust Information
	7. Date Trust Was Created

PART 2 INCOME AND ADJUSTMENTS	
8. Federal taxable income of fiduciary (from U.S. 1041, line 22)	8. .00
8a. Federal taxable income of ESBT (from Sec. 641(d) worksheet)	8a. .00
8b. Total. Add lines 8 and 8a	8b. .00
Please attach a copy of your U.S. 1041 and supporting schedules	
9. Fiduciary's share of Michigan net adjustments (from Schedule 3, line 44, column D, or Schedule 1, line 41)	9. .00
10. Total. Combine lines 8b and 9	10. .00
11. Capital gain/loss adjustment for resident estates or trusts (from Schedule MI-1041D)	11. .00
12. Taxable income. Combine lines 10 and 11 or enter amount from Schedule 4, line 75	12. .00
13. Tax. Multiply line 12 by 4.2% (.042)	13. .00

PART 3 CREDITS AND PAYMENTS	
Amount	Credit
14. Income tax paid to Michigan cities	14a. .00 14b. .00
15. Public Contributions	15a. .00 15b. .00
16. Community Foundations. Enter code, see pg. 8. <input type="checkbox"/>	16a. .00 16b. .00
17. Homeless/Food Bank Cash Contributions	17a. .00 17b. .00
18. Income tax paid to another state (attach copy of return)	18a. .00 18b. .00
19. Michigan Historic Preservation Credit	19a. .00 19b. .00
20. Total nonrefundable credits (add 14b, 15b, 16b, 17b, 18b and 19b)	20. .00
21. Income tax. Subtract line 20 from line 13	21. .00
22. Income tax withheld (attach state copy of W-2)	22. .00
23. Michigan estimated tax and extension payments	23. .00
24. 2000 overpayments credited to 2001	24. .00
25. Add lines 22, 23 and 24	25. .00

PART 4 BALANCE DUE OR REFUND	
26. If line 25 is less than line 21, enter TAX DUE. Check if MI-2210 is attached. a. <input type="checkbox"/>	
Include interest _____ and penalty _____ if applicable (see inst., p. 5)	▶ 26. .00
27. If line 25 is greater than line 21, enter overpayment	27. .00
28. Amount of line 27 to be credited to your 2002 ESTIMATED TAX	▶ 28. .00
29. Subtract line 28 from line 27. This is your REFUND	▶ 29. .00

SCHEDULE 1 NET MICHIGAN ADJUSTMENT FOR RESIDENT ESTATES AND TRUSTS**Additions**

30. Gross interest and dividends from obligations issued by states other than Michigan or their political subdivisions	30. ....	.00
31. Taxes imposed on or measured by income deducted on U.S. 1041	31. ....	.00
32. Expenses included in U.S. 1041 attributable to income from sources outside of Michigan	32. ....	.00
33. Expenses and interest incurred in production of income from U.S. government obligations on U.S. 1041	33. ....	.00
34. Other (attach schedule)	34. ....	.00
35. Total additions. Add lines 30 through 34	35. ....	.00

Subtractions

36. Income from U.S. government bonds and other obligations to the extent included in federal taxable income	36. ....	.00
37. Income attributable to another state. Explain type and source:	37. ....	.00
38. Expenses related to obligations of other states not deducted on U.S. 1041	38. ....	.00
39. Other (attach schedule)	39. ....	.00
40. Total subtractions. Add lines 36 through 39	40. ....	.00
41. Net Michigan adjustment. Subtract line 40 from line 35 and enter here	41. ....	.00
If no distribution to beneficiaries, carry this amount to page 1, Part 2, line 9. Otherwise complete Schedules 2 and 3.		

SCHEDULE 2 NAME AND ADDRESSES OF BENEFICIARIES. Complete if any income is distributed.

Name of each beneficiary.	Address of each beneficiary. If mailing address differs from home address, give both.	Social Security number or FEIN of each beneficiary.
42a		
42b		
42c		
42d		

SIGNATURES AND DECLARATIONS

I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.		I declare under penalty of perjury that this return is based on all information of which I have any knowledge.
I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No		Preparer's Name, Address, PTIN and/or FEIN
Signature of Fiduciary or Officer Representing Fiduciary	Date	

This return is due April 15, 2002 or on the 15th day of the fourth month after the close of your tax year.

Mailing: Make check payable to "State of Michigan." Write the estate's or trust's FEIN and "2001 MI-1041" on the front of the check.
Mail return with payment (if applicable) to: Michigan Department of Treasury, Lansing, Michigan 48922.

Continued on page 3

EXPLANATION of CHANGES (If you checked the amended box on the front, please complete this section)

Explain changes to income, deductions and credits. Show computations in detail and attach a copy of the amended U.S. 1041 and all supporting schedules.

SCHEDULE 3 BENEFICIARIES' AND FIDUCIARY'S SHARE OF NET MICHIGAN ADJUSTMENTS FOR RESIDENT ESTATES OR TRUSTS				
Column A	Column B Federal Distributable Net Income		Column C	Column D
Beneficiary Identification from Schedule 2	Type of Income (Dividend, Interest, Rent, etc.; Location of Property, etc.)	Amount	Percent of Column B	Allocation of Net Michigan Adjustment (Multiply amount on line 41 by percent in Column C.)
43. Beneficiaries				
()			%	
()			%	
()			%	
()			%	
44. Fiduciary's Share			%	
45. Total			100%	

Schedule 4 on page 4 must be completed for nonresident estates and trusts.

Schedule 5 on page 4 must be completed for resident or nonresident estates and trusts if capital gains/losses were distributed to beneficiaries and a Michigan *Adjustments of Capital Gains and Losses* (form MI-1041D) was filed.

Continued on page 4

SCHEDULE 4 COMPUTATION OF MICHIGAN TAXABLE INCOME FOR NONRESIDENT ESTATES OR TRUSTS

Income Allocation: Attach all applicable federal schedules (see instructions on page 7).		Column A Total	Column B Michigan	Column C Non-Michigan
Income (from U.S. 1041)				
46. Interest income	46.			
47. Dividends	47.			
48. Business income/loss	48.			
49. Capital gain/loss (complete form MI-1041D)	49.			
50. Rents, royalties, partnerships, other estates and trusts, etc.	50.			
51. Farm income/loss	51.			
52. Ordinary gain/loss from U.S. 4797 (see instructions)	52.			
53. Other income (state nature of income)	53.			
54. Total income (add lines 46 through 53)	54.			
Deductions (from U.S. 1041)				
55. Interest	55.			
56. Taxes	56.			
57. Fiduciary fees	57.			
58. Charitable deduction	58.			
59. Attorney, accountant, and return preparer fees	59.			
60. a. Other deductions NOT subject to 2% floor	60a.			
b. Allowable misc. itemized deductions subject to 2% floor	60b.			
61. Total (add lines 55 through 60b)	61.			
62. Adjusted total income/loss (subtract line 61 from 54)	62.			
63. Income distribution deduction	63.			
64. Estate tax deduction (including certain generation-skipping taxes) ..	64.			
65. Exemption	65.			
66. Total deductions (add lines 63 through 65)	66.			
67. Total income of fiduciary (subtract line 66 from line 62)	67.			
68. If line 49 is a loss, enter amounts here as positive figures	68.			
69. If line 49 is a gain, enter amounts here as negative figures	69.			
70. Income of fiduciary excluding capital gain/loss Combine lines 67 through 69	70.			
71. Michigan income (excluding capital gains and losses) from line 70, column B	71.			.00
72. Taxes imposed on or measured by Michigan income deducted on U.S. 1041	72.			.00
73. Total (add lines 71 and 72)	73.			.00
74. Fiduciary's share of Michigan gain/loss from MI-1041D (see instructions)	74.			.00
75. Income taxable to fiduciary. Combine lines 73 and 74. Enter here and on page 1, line 12	75.			.00

SCHEDULE 5 CAPITAL GAIN/LOSS DISTRIBUTED TO BENEFICIARIES WHEN FORM MI-1041D IS FILED

Column A Beneficiary Identification from Schedule 2	Column B Federal Gain or Loss	Column C Michigan Gain or Loss
76. Beneficiaries		
()		
()		
()		
()		
77. Total		

GENERAL INFORMATION

Who Must File

You must file an MI-1041 and pay the tax due if you are the fiduciary for an estate or trust that was required to file a U.S. 1041 or that had income taxable to Michigan that was not taxable on the U.S. 1041. If no tax is due, you must file an informational MI-1041.

The only exceptions are:

1. Tax exempt organizations.

NOTE: Estates and trusts with any charitable purpose or charitable beneficiaries, should contact the Department of Attorney General, Charitable Trust Section, regarding the filing requirements.

2. Common trust funds. The trustee must notify the beneficiaries of their portion of Michigan income from the fund and of the gains and losses available to each under Section 271.
3. A nonresident estate or trust that has income from Michigan sources less than the federal exemption deduction. The deductions are \$600 (for estates), \$300 (for trusts currently distributing income), and \$100 for all other trusts. See Schedule 4, Income Allocation on page 7.
4. A grantor trust. When the grantor is a trustee and is treated as the owner of the trust's assets (Internal Revenue Code (IRC) sections 671 - 678), an MI-1041 is not required. Report the trust's income, deductions and credits on the grantor's *Michigan Income Tax Return* (form MI-1040).
5. Michigan cannot impose an income tax on income accumulated by a trust that became irrevocable by the death of the settlor (while a Michigan resident) when all of the following conditions are met:
 - The trustee is not a Michigan resident,
 - The assets of the trust are neither held, located nor administered in Michigan, and
 - The beneficiaries are all nonresidents.

When To File

Fiduciary returns are due on or before April 15, 2002 or on the 15th day of the fourth month after the close of your tax year. Mail returns to:

**Michigan Department of Treasury
Lansing, MI 48922.**

Penalty and Interest

If the fiduciary payment is late, Treasury may add a penalty of 5 percent of the tax due every month until the return is filed and the tax is paid. Maximum late penalty is 50 percent of the balance of tax due. The minimum late penalty for the first month is \$10. If the fiduciary return is paid late, add penalty and interest to the amount due. The interest rate through June 30, 2002 is 8.0 percent. For interest rates after June 30, 2002, call 1-800-487-7000.

Rounding Off

Round down amounts less than 50 cents. Round up amounts of 50 cents through 99 cents.

Capital Gains/Losses

Adjustment of Capital Gains and Losses (form MI-1041D) must be used for the following:

- Capital gains election under Section 271 for property acquired before October 1, 1967,
- Sale or exchange of U.S. obligations which cannot be taxed by Michigan, or
- Sale or exchange of property subject to allocation or apportionment provisions. MI-1041 Schedule 5, lines 76 and 77, must be completed if any capital gain/loss is distributed to beneficiaries and form MI-1041D is filed.

Tax Credits An Estate or Trust Can Claim

An estate or trust may be able to claim credits for each of the following:

- City Income Tax Credit
- Public Contribution Credit
- Community Foundations Credit
- Homeless/Food Bank Credit
- Credit for Income Taxes Imposed by Government Units Outside Michigan
- Michigan Historic Preservation Tax Credit

Instructions for credits begin on page 4.

Beginning in the 1999 tax year, a nonrefundable credit is available to owners or longterm lessees of qualified historic resources who undertake rehabilitation projects. To be eligible for the credit, the rehabilitation project must be certified by the State Historic Preservation Office of the Michigan

Historical Center and a Historic Preservation Tax Credit Claim (form 3581) must be filed. For information regarding certification, please visit the Web site www.sos.state.mi.us/history/preserve/. Form 3581 is available from any of the resources listed on the cover.

Resident and Nonresident Estates and Trusts

If a decedent was domiciled in Michigan at the time of death, the estate is a **resident estate**.

If a decedent was not domiciled in Michigan at the time of death, the estate is a **nonresident estate**. A trust created by the decedent's will is a **nonresident trust**.

If a trust was created by a grantor domiciled in Michigan at the time the trust becomes irrevocable, the trust is a **resident trust**. If the grantor was not domiciled in Michigan at the time the trust became irrevocable, the trust is a **nonresident trust**.

Amending

To amend the MI-1041, check the box at the top of the MI-1041 form and explain the reason for amending on page 3. Attach a copy of the amended U.S. 1041 with all supporting schedules.

U.S. 1041 changes. Michigan Department of Treasury must be notified of any changes to the estate's or trust's U.S. 1041 if the items changed affect the Michigan liability. File an amended return within 120 days of the change and include payment of any tax due. If too much tax was paid, file an amended return to request a refund.

SPECIAL SITUATIONS

Extensions

An extension of time to file may be requested by sending Treasury payment of the estimated tax liability with a copy of the approved federal extension. Treasury will extend the due date to the new federal due date. If you do not have a federal extension, file an *Application for Extension of Time to File Michigan Tax Returns* with the payment. The extension is automatic. Treasury will not notify you of approval.

An extension of time to file is not an extension of time to pay. If the tax due

is underestimated and not enough is paid with the extension request, interest is due on the unpaid amount. Compute interest from April 15 (or the due date of the return) to the date the tax is paid. Interest is 1 percent above prime rate and is adjusted on July 1 and January 1.

Treasury may charge a penalty of 10 percent or more if the balance due is not paid with the extension request.

When the MI-1041 is filed, include the amount of tax that was paid with the extension request on line 23. Attach a copy of the federal or state extension.

Closing An Estate

Before an estate can be closed, all taxes due must be paid on the liability of the estate and of the decedent.

Estimated Tax Payments

In general, a fiduciary for an estate or trust must file quarterly estimated payments if the estate or trust is expected to owe more than \$500 with the 2002 annual return. This is after crediting amounts paid through withholding and all other credits.

If the estate or trust owes more than \$500, estimates may not have to be made if the estate or trust expects the 2002 withholding to be at least:

- 90% of the total 2002 tax,

- 100% of the total 2001 tax, or
- 112% of the total 2001 tax if the estate or trust's adjusted gross income for 2001 is more than \$150,000. To figure the estate or trust's AGI, see the instructions for line 22 of the U.S. 1041

Total 2001 tax is the amount on the 2001 MI-1041, line 21.

If an estate owes more than \$500, estimates do not have to be made if the decedent died within the last two years.

If a fiduciary fails to make required estimated payments, pays late or underpays, Treasury may charge penalty and interest. Penalty is 25 percent of the tax due for failing to file estimated payments, or 10 percent for underpaying estimated payments. Interest is 1 percent above the prime rate and is computed monthly. The rate is adjusted on July 1 and January 1.

Beginning with tax year 1998, financial institutions that submit estimate payments through the Federal Tax Deposit System on magnetic tape and act as a fiduciary for 200 or more trusts shall submit Michigan estimate payments on magnetic tape. Institutions acting as fiduciary for more than 49 and fewer than 200 trusts may make an irrevocable agreement to file magnetically.

If estimated payments are necessary, request the 2002 *Michigan Estimated*

Income Tax for Fiduciaries (form MI-1041ES). Filing instructions are with the form.

Farmland Preservation Credits

There is no provision for a farmland credit on the fiduciary return. If you wish to claim a credit, request the *Michigan Single Business Tax Farmland Preservation Credit* (form C-8022).

Bankruptcy Estates

Every trustee (or debtor-in-possession) for an individual's bankruptcy estate under Chapter 7 or 11, of the U.S. Code Title 11, who must file a U.S. 1041 must also file an MI-1041. Use form MI-1041 only as a transmittal for form MI-1040. In the top margin of the MI-1040, write "Attachment to MI-1041. Do not detach." Attach the MI-1040 behind the MI-1041. Complete only the identification area of the MI-1041. Enter the name of the debtor on line 2 as: "John Smith, Public Bankruptcy Estate." Enter the name of the trustee on line 3 as: "Allen Snow, Trustee." On MI-1041, line 26, enter the amount from MI-1040, line 36. If applicable, enter on MI-1041, line 29 the amount from MI-1040, line 39. Copies of the U.S. 1040, 1041 and all supporting schedules **must be attached** to your Michigan return.

LINE - BY - LINE INSTRUCTIONS

Because Michigan's fiduciary law is very similar to federal law, these instructions include only those points of Michigan law and procedures that differ from federal laws and procedures. If a federal short-year return must be filed, a Michigan short-year return must also be filed. Before starting the *Michigan Fiduciary Income Tax Return* (MI-1041), complete the U.S. 1041 and all supporting schedules.

All estates and trusts must complete page 1. Resident estate and trust filers must complete Schedule 1 if there are adjustments. Complete Schedule 2 if income is distributed. Schedule 3 must be completed if income is distributed and there are adjustments on Schedule 1. If the resident estate or trust distributed a capital gain, filers must also complete Schedule 5 and form MI-1041D. See

"Capital gains/losses" on page 2. Nonresident estates or trusts must complete Schedule 2 if any income is distributed; Schedule 4; and if the estate or trust distributed any capital gains or losses, Schedule 5 and form MI-1041D. Nonresident estate or trust filers may omit lines 8 through 11 on page 1, Schedules 1 and 3.

Attach a copy of the U.S. 1041 and all supporting schedules to the Michigan return.

Line numbers not listed are explained on the form.

PART 1 — Identification

Lines 1 - 7: Complete all items. Enter a mailing address that Treasury can use to request more information or to issue a refund.

PART 2 — Income and Adjustments

Line 8: Enter taxable income of the estate or trust from U.S. 1041, page 1, line 22.

Line 8a: Enter federal taxable income of Electing Small Business Trusts (ESBT) from the Sec. 641(d) worksheet attached to your U.S. 1041. Attach copy of worksheet to Michigan return.

Line 9: Fiduciaries for resident estates or trusts should complete Schedule 1 if there are Michigan adjustments to federal taxable income. If no income was distributed, enter the amount from line 41 on line 9. If any income was distributed complete Schedules 2 and 3. Enter the amount from line 44, column D on line 9.

Line 11: Capital Gain/Loss Adjustment for Resident Estates or Trusts. Enter the amount from form MI-1041D, line 22, if any (see "Capital gains/losses" on page 2).

PART 3 — Credits and Payments

Line 14: City Income Tax Credit. All estates and trusts subject to Michigan income tax are allowed a *partial* credit for income tax paid to Michigan cities. Use Table 1 (on this page) to compute the credit based on the net city income tax paid in 2001.

Line 14a: Enter the city income tax paid to Michigan cities.

Line 14b: Enter the city income tax credit computed on the worksheet in Table 1.

Note: For a resident estate or trust, the amounts used to calculate the credits under this section (lines 15, 16, 17, and 19) shall not have been deducted in arriving at federal taxable income.

Line 15: Public Contribution Credit. A partial income tax credit is allowed for donations to the Michigan public institutions listed below. Credit is based on cash donated or the value of the items donated. Values claimed must be supported by written appraisals, trade journals, etc. or an itemized receipt.

Gifts qualify for credit if given to:

- Michigan colleges or universities and their fund-raising organizations
- The Michigan Colleges Foundation
- The State Art in Public Places Fund
- The State of Michigan museum
- Michigan public libraries
- Michigan public broadcasting stations
- A Michigan municipality or a nonprofit corporation affiliated with a Michigan municipality and an art institute in that municipality to benefit the art institute (art institutes are those whose primary function is to display and teach visual arts)
- The State of Michigan for the preservation of state archives.

Artwork created by the taxpayer also qualifies for credit if given to the State of Michigan or a Michigan municipality for display in a public place.

Artwork is an original visual creation of

TABLE 1: CITY INCOME TAX CREDIT WORKSHEET

To Determine Net City Income Tax

Add:

- City income tax withheld from wages in 2001 (as shown in box 21 on your W-2s)..... .00
 - Amount of tax paid with a Michigan city income tax return filed in 2001 (do not include penalty and interest)..... + .00
 - Estimated city income tax payments paid in 2001..... + .00
- Subtotal00

Subtract:

- Any city income tax refunds received in 2001..... - .00
- Total net city income tax paid. Carry to line 14a = .00

To Determine Your City Income Tax Credit

If your Total Net City Income Tax Paid (MI-1041, line 14a) is :

\$100 or less	\$101 through \$150	\$151 or more
Net city income tax paid ..... .00	Net city income tax paid ..... .00	Net city income tax paid ..... .00
Multiply x .20		
	Subtract - \$100.00	Subtract - \$150.00
CREDIT. Carry to line 14b ..... .00	Multiply x .10	Multiply x .05
	Add + 20.00	Add + 25.00
	CREDIT. Carry to line 14b ..... .00	CREDIT. Carry to line 14b ..... .00

Round all amounts to the nearest dollar.

Credit cannot be more than \$10,000.00

quality in any size or shape, in any media, using any materials. Its fair market value must be determined by an independent appraiser when donated.

Line 15a: Enter the total amount of public contributions.

Line 15b: Enter the allowable credit, which is the **smallest** of:

- 50 percent of line 15a
- 10 percent of line 13, or
- \$5,000.

Line 16: Community Foundations Credit. A partial income tax credit is allowed when donations are made to an endowment fund of one of the certified community foundations or component funds listed on page 8. Enter the foundation code in the box on line 16. You must enter the proper code to receive credit.

Line 16a: Enter the total amount of the contribution.

Line 16b: Enter the allowable credit, which is the **smallest** of:

- 50 percent of line 16a
- 10 percent of line 13, or
- \$5,000.

Line 17: Homeless Shelter/Food Bank Credit. A partial income tax credit is allowed when a **cash donation** is made to a qualifying shelter for homeless persons, a food bank, a food kitchen, or other entity whose **primary** purpose is to provide overnight accommodation, food, or meals to indigent persons. Donations to organizations such as secondhand stores and churches, which provide other services or shelter and food as a secondary purpose do not qualify for this credit.

Contributions qualifying for this credit must be all of the following:

- Cash or check,
- Made to organizations located in Michigan whose **primary** purpose is to provide food and/or shelter to indigent persons and,
- Deductible as a charitable contribution under the IRC.

Line 17a: Enter the total amount of qualifying cash contributions.

Line 17b: Enter the allowable credit, which is the **smallest** of:

- 50 percent of line 17a
- 10 percent of line 13, or
- \$5,000.

Note: Treasury may request receipts for any credit claimed on lines 15, 16, and 17. If Treasury requests receipts, cancelled checks may not be sufficient documentation.

Line 18: Credit for Income Tax Imposed by Government Units Outside Michigan. Include on this line the amount of income tax paid to:

- A nonreciprocal state
- A local government unit outside Michigan, including tax paid to local units located in reciprocal states
- The District of Columbia
- A Canadian province

Include only income tax paid to another state on income earned by a resident estate or trust and taxed by Michigan.

Attach a copy of the return filed with the other government unit to the MI-1041.

Do not include taxes paid on income subtracted on lines 36 - 39 of the MI-1041 (e.g., rental or business income from another state, etc.). If credit is claimed for a Canadian provincial tax, file a *Resident Credit for Tax Imposed by a Canadian Province* (form C-4402RC). Attach copies of the appropriate Canadian federal T-3 fiduciary tax return, *Computation of Foreign Tax Credit* (U.S. 1116) and U.S. 1041. The credit is limited to the part of the Canadian provincial tax not used as a credit on the U.S. 1041.

Line 18a: Enter the total income tax paid to other government units. Attach a schedule if tax was paid to more than one source.

Line 18b: Figure the maximum allowable credit this way:

- Divide out-of-state income subject to tax by both states by total income subject to Michigan tax.
- Multiply the amount of tax shown on line 13 by the result.

Enter the allowable credit, which is the smaller of:

- The above calculation, or
- The tax imposed by another government.

Line 19a: Enter the amount from 2001 form 3581, line 10.

Line 19b: Enter the amount from 2001 form 3581, line 11e.

Line 23: Payments. Enter the total estimated tax paid with the 2001

Michigan Estimated Income Tax for Fiduciaries (form MI-1041ES) and any Michigan tax paid with an extension request. See the **special note** after line 26 instructions.

NOTE: Michigan does not allow the estate's or trust's estimate payments to be transferred to beneficiaries.

Line 24: Enter the amount of the 2000 overpayment applied to this year's tax from 2000 MI-1041, line 28.

PART 4 — Balance Due or Refund

Line 26: Tax Due. If line 25 is less than line 21, enter the difference. This is the tax owed with the return. If the balance due is less than \$1.00, no payment is required. But the return must still be filed. If penalty and interest are due for filing late, enter these amounts on the appropriate lines. See "Penalty and Interest" on page 2 for penalty and interest rates. Add penalty and interest to the tax due and enter the total. If the estate or trust owes more than \$500 and is required to file estimates, see the following **special note**.

Special note for estates and trusts required to file estimates: Penalty and interest may be due for underpayment, late payment or failing to pay estimates. Use the *Underpayment of Estimated Income Tax* (form MI-2210) to compute interest. If form MI-2210 is filed, check the box on line 26 and enter the interest amount on the line provided. For complete instructions, request form MI-2210 by calling 1-800-FORM-2-ME (367-6263).

Line 29: Refund. Subtract line 28 from line 27. This is the refund. The state does not refund amounts less than \$1.00.

SCHEDULE 1 – Net Michigan Adjustments for Resident Estates or Trusts

Additions

Line 30: Enter gross interest and dividend income from obligations or securities of states and their political subdivisions other than Michigan. Include this interest income from partnerships, S corporations, and other estates and trusts.

Line 31: Enter taxes deducted on U.S. 1041, line 11, which were imposed on or

measured by income, such as state or city income taxes.

Line 33: Enter expenses and interest incurred in production of income from obligations of the U.S. government on U.S. 1041. Enter on this line any interest expense on indebtedness incurred in carrying the obligations and any related expenses that were deducted in arriving at federal taxable income.

Line 34: Enter any adjustments not taken into account on lines 30 - 33. Attach a schedule showing these items and their locations. **Losses from a business partnership or property located in another state must be added back on this line.**

Subtractions

Line 36: Enter the income from U.S. government obligations (example: U.S. Series E Bonds). This income may be subtracted even if it comes through a partnership, S corporation or another estate or trust. Attach a schedule showing the source of your income from U.S. obligations (Treasury Bonds, Series E bonds, etc.), and the amount of income from each source.

Line 37: Enter income attributable to another state. Explain the type and source of income. Attach a schedule if necessary. Following are examples of income attributed to another state:

- A. Net rents and royalties from real and personal property located or used in other states.
- B. Business income included in taxable income that was earned solely in other states. (Losses from an activity in another state that have reduced federal taxable income must be entered as a positive figure on line 34.)

Business income from an activity that is taxable both within and out of Michigan must be apportioned among the states involved. Complete and attach a *Schedule of Apportionment* (form MI-1040H). Salaries, wages and other compensation for personal services are not business income.

NOTE: Capital gains from the sale of real or personal property located in other states at the time of disposal are adjusted on the MI-1041D and factored into line 11.

Resident estates cannot subtract salaries and wages earned by the decedent in

another state. However, the estate may be entitled to a tax credit for tax imposed by another state. See line 18 instructions on page 5.

Line 38: Enter expenses related to obligations of other states not deducted on U.S. 1041 or not allowed as a deduction by IRC Section 265. Also enter interest expense on indebtedness incurred in carrying the obligations and related expenses that were not used on the U.S. 1041.

Line 39: Enter subtractions not taken into account on lines 36 - 38. Attach a schedule listing these subtractions.

Retirement or pension benefits may not be subtracted.

Line 41: Subtract line 40 from line 35. If no income was distributed, enter the amount from line 41 on page 1, Part 2, line 9.

SCHEDULE 2 – Name, Address and Social Security Number or FEIN of Each Beneficiary (Resident or Nonresident)

NOTE: Schedule 2 must be completed if any income is distributed. Otherwise, it is not necessary.

Line 42: Enter in the appropriate column the name, address and Social Security number or FEIN of each beneficiary of the estate or trust, both residents and nonresidents. Identify residents with an "R" and nonresidents with "NR." When completing the rest of this form, use the lower case letter (a, b, c, etc.) to the left of each name to refer to a beneficiary listed in Schedule 2. If additional space is needed, attach a schedule similar to Schedule 2 identifying additional beneficiaries by consecutive letters.

Signatures and Declarations

The fiduciary or the officer representing the fiduciary must sign the return. Before mailing the return, remember to check the following:

- Are all items complete and all figures correct?
- Was a 2001 MI-1041 form used? Returns filed on old forms may be rejected.
- Is a copy of the 2001 U.S. 1041 attached?

Example for Completing Schedule 3

Note: For this example, the fiduciary has reported \$5,000 on Schedule 1, line 41.

Column A Beneficiary Identification from Schedule 2	Column B U.S. Distributable Net Income		Column C Percent of Column B	Column D Allocation of Net Mich. Adj. (Multiply amount on line 41 by % in column C.)
	Type of Income (Div., Int., Rent, etc.; Location of Property, etc.)	Amount		
43. Beneficiaries.				
(a)	Interest, Div., & Rent, MI	\$2,420	9.4642%	\$473.00
(b)	Interest, Div., & Rent, MI	20,550	80.36762%	4,018.00
(c)	Interest, Div., & Rent, MI	600	2.346410%	117.00
()				
()				
44. Fiduciary's Share		2,000	7.82166%	391.00
45. Total		\$25,570	100%	\$5,000.00

- Are estimated tax payments required for 2002?

Mail the return to:

**Michigan Department of Treasury
Lansing, MI 48922**

NOTE: Do not send one check for multiple returns. Each return must have its own check. Make all checks payable to the "State of Michigan." Write the estate's or trust's federal identification number and "2001 MI-1041" on the front of the check.

SCHEDULE 3 – Beneficiaries' and Fiduciary's Share of Net Michigan Adjustments for Resident Estates and Trusts

If any income is distributed, the net Michigan adjustments for resident estates and trusts from MI-1041, line 41, must be allocated to the beneficiaries and the fiduciary in the following way:

- In the proportion that each beneficiary's share of federal distributable net income bears to the total federal distributable net income with the remaining portion going to the fiduciary. If the estate or trust has no distributable net income for the taxable year, net Michigan adjustments will be allocated in the following way:
- In the proportion that each beneficiary's share of the distributed

estate or trust income for the year bears to the total estate or trust income with the remaining portion going to the fiduciary. (Distributed income includes amounts required to be distributed currently under local law or the terms of the estate or trust instrument, and any other amounts distributed.)

Use Schedule 3 to compute this allocation. See example above. These percentages may not be the same as the distribution percentages listed in the estate or trust instrument.

Line 43-45: Complete columns A, B, C and D one column at a time.

Column A: Identify each beneficiary by entering the lower case letter from Schedule 2.

Column B: Enter the distributions reported to each beneficiary on his or her U.S. *Schedule K-1* in spaces provided on line 43. Indicate the sources, locations and amounts for each type of income such as dividends, rents, interest, etc. Enter the fiduciary's share on line 44. The total on line 45 should equal the distributable net income reported on U.S. 1041, Schedule B, line 7.

Column C: Divide each amount in column B by the total on line 45 and enter the percent in column C.

Column D: Multiply the amount on Schedule 1, line 41, by the percentage

in column C. Enter the results in column D for each beneficiary and the fiduciary. Carry the fiduciary's share (line 44) to Part 2, line 9. The total on line 45D must equal the amount on Schedule 1, line 41.

SCHEDULE 4— Computation of Michigan Taxable Income for Nonresident Estates or Trusts

Income Allocation. Use this section to compute the income attributable to Michigan for nonresident estates and trusts. Income, deductions and computations on lines 46 - 67 are comparable to lines 1 - 22 on the U.S. 1041. In column A enter the corresponding amounts from the U.S. 1041. In column B enter Michigan's portion of the income. In column C enter the non-Michigan portion. See special instructions for lines 49 and 52 on this page.

The following income is subject to Michigan tax and should be entered in column B on lines 46 - 53:

- Income earned, received or acquired in Michigan
- Income from personal services performed in Michigan
- Income from real or tangible personal property located in Michigan
- Income, including interest, dividend and other portfolio income, from a business, trade, profession or occupation conducted in Michigan. If the business activity is in Michigan and in another

state, complete and attach a *Schedule of Apportionment* (form MI-1040H) to apportion this income.

The following income is **not** subject to Michigan tax and should be entered in column C on lines 46 - 53:

- Income from annuities
- Nonbusiness interest income
- Nonbusiness dividends
- Income from a business, trade, profession or occupation not conducted in Michigan.

Line 49: Complete form MI-1041D before completing this line. If a gain, enter in column A the amount from the MI-1041D line 16, column B, federal portion. Enter in column B the amount from the MI-1041D line 16, column B, Michigan portion. Enter the difference in column C. If a loss, see line 17, Part 4 of the completed MI-1041D.

Line 52: Complete form MI-4797 before completing line 52, if the gain/loss on the U.S. 4797 is from the sale of business property located in Michigan and the Michigan property was acquired prior to October 1, 1967. Otherwise, enter Michigan's portion in column B and the non-Michigan portion in column C.

Line 70: Combine lines 67 through 69. Use brackets for negative figures. Do not enter "0" for amounts less than zero.

Line 72: Enter taxes deducted on U.S. 1041, line 11 which were imposed on Michigan income, such as state or city income taxes.

Line 74: Enter the fiduciary's share of **Michigan** gain/loss from MI-1041D, if any. If a capital gain, enter the amount from MI-1041D, line 16, column B, Michigan column. If a capital loss, enter the amount from MI-1041D, line 17, Michigan column.

Line 75: Combine lines 73 and 74. Carry this amount to MI-1041, page 1, Part 2, line 12.

SCHEDULE 5 - Capital Gain/Loss Distributed to Beneficiaries When Form MI-1041D Is Filed

Line 76: Complete Schedule 5 if capital gains/losses have been distributed to beneficiaries and form MI-1041D was completed.

Column A: Identify each beneficiary by entering the lower case letter from Schedule 2.

Column B: (Federal) Enter each beneficiaries' share of capital gain/loss as reported on U.S. *Schedule K-1 (form 1041)*.

Column C: (Michigan) Enter each beneficiaries' share of capital gain/loss as recomputed on Michigan MI-1041D.

Line 77: Enter the total of all beneficiaries' shares. Line 77 (totals) in the federal and Michigan column must equal the beneficiaries' amounts reported on U.S. *Schedule D (form 1041)* Part III, line 16, column (1) or Michigan form MI-1041D, Part 3, line 16, column C.

Other Necessary Forms

For the fiduciary

The fiduciary must furnish a U.S. *Schedule K-1* to each beneficiary. The fiduciary must also furnish notice of Michigan adjustments to each beneficiary. The notice may be noted on a copy of the U.S. *Schedule K-1* or a separate letter to each beneficiary. If a letter is used, it must include the name and federal identification number of the estate or trust. Each beneficiary must be advised of his or her share of the following:

- Michigan adjustments from resident estates or trusts.

- Michigan income from nonresident estates or trusts.
- Capital gains/losses available for adjustment under Section 271.

For the beneficiary

All resident and nonresident beneficiaries should file an individual *Michigan Income Tax Return* (form MI-1040), if applicable. See the MI-1040 instruction booklet for who must file. Beneficiaries should follow the instruction booklet to compute Michigan taxable income. Beneficiaries should attach copies of the following items to their MI-1040 individual return:

- U.S. *Schedule K-1*.
- The letter received from the fiduciary notifying him or her of Michigan adjustments or Michigan income.
- MI-1040D, if the beneficiary is eligible to adjust gains and losses under Section 271.

NOTE: Excess deductions available upon termination of an estate or trust may be passed on to the beneficiaries. They are reported on U.S. 1040, *Schedule A* and do not reduce federal adjusted gross income. Itemized deductions are not an allowable subtraction on the Michigan return.

Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 2001.

01 Albion Community Foundation	19 Community Foundation of Greater Rochester	39 Marquette Community Foundation
51 Alger Regional Community Foundation	11 Community Foundation of Monroe County	Greater Ishpeming Area Community Foundation
56 Allegan County Community Foundation	The Bedford Foundation	Negaunee Area Community Foundation
63 Anchor Bay Community Foundation	35 Community Foundation of St. Clair County	26 Marshall Community Foundation
02 Ann Arbor Area Community Foundation	20 Community Foundation of the Holland/Zeeland Area	05 Michigan Gateway Community Foundation
49 Baraga County Community Foundation	50 Dickinson County Area Community Foundation	27 Midland Area Community Foundation
58 Barry Community Foundation	Norway Affiliate Fund	42 Mt. Pleasant Area Community Foundation
17 Battle Creek Community Foundation	69 Farmington Hills Community Foundation	Clare County Community Fund
Athens Area Community Foundation	13 Four County Community Foundation	Shepard Community Foundation
Homer Area Community Foundation	14 Fremont Area Foundation	68 Northville Community Foundation
Springfield Community Foundation	Lake County Community Foundation	47 Petoskey-Harbor Springs Area Community
03 Bay Area Community Foundation	Mecosta County Community Foundation	Foundation
Arenac County Fund	Osceola County Community Foundation	30 Saginaw Community Foundation
04 Berrien Community Foundation	15 Grand Haven Area Community Foundation	61 Sanilac County Community Foundation
45 Branch County Community Foundation	Allendale Community Foundation	70 Sault Area Community Foundation
Colon Community Foundation Fund	Coopersville Area Foundation	71 Shelby Community Foundation
36 Cadillac Area Community Foundation	16 Grand Rapids Community Foundation	31 Shiawassee Community Foundation
Missaukee County Community Foundation	Hudsonville Community Foundation	57 Southfield Community Foundation
64 Canton Community Foundation	Ionia County Community Foundation	74 Sterling Heights Community Foundation
06 Capital Region Community Foundation	Sparta Community Foundation	40 Sturgis Area Community Foundation
Eaton County Community Foundation	Wyoming Community Foundation	Constantine Area Community Fund
66 Central Montcalm Community Foundation	46 Grand Traverse Regional Community Foundation	White Pigeon Community Foundation
44 Charlevoix County Community Foundation	Otsego Community Foundation	62 Tecumseh Community Fund Foundation
41 Community Foundation for Delta County	48 Gratiot County Community Foundation	32 Three Rivers Area Foundation
28 Community Foundation for Muskegon County	18 Greater Frankenmuth Area Community Foundation	72 Troy Community Foundation
Mason County Foundation	37 Greenville Area Community Foundation	73 Tuscola County Community Foundation
Oceana County Community Foundation	Montcalm Panhandle Community Fund	54 Upper Peninsula Community Foundation Alliance
29 Community Foundation for Northeast Michigan	43 Hillsdale County Community Foundation	Bois Blanc Island Community Foundation
North Central Michigan Community Foundation	60 Huron County Community Foundation	Forest Park Area Community Fund
Straits Area Community Foundation	21 Jackson County Community Foundation	Gogebic County Area Community Foundation
Iosco County Community Foundation	22 Kalamazoo Community Foundation	Les Cheneaux Area Community Fund
09 Community Foundation for Southeastern Michigan	South Haven Community Foundation	Paradise Area Community Fund
Community Foundation for Livingston County	67 Keweenaw Community Foundation	St. Ignace Area Community Foundation
Chelsea Community Foundation	23 Leelanau Township Community Foundation	Schoolcraft County Community Foundation
10 Community Foundation of Greater Flint	62 Lenawee Community Foundation	Taquaamenon Falls Area Community Foundation
Clio Area Community Fund	55 Livonia Community Foundation	Watersmeet Area Community Fund
Fenton Community Fund	25 M & M Area Community Foundation	West Iron County Area Community Fund
Flushing Community Foundation	65 Mackinac Island Community Foundation	
Grand Blanc Community Foundation	24 Manistee County Community Foundation	
Lapeer County Community Fund		

Treasury Offices

Forms are available at all Treasury offices listed below. (Treasury office staff do not prepare tax returns.)

Main Office

LANSING, 48922

Treasury Building

430 W. Allegan St.

1-800-827-4000 (refunds)

1-800-487-7000 (information)

Other Offices

Detroit Office will be moving. We anticipate this move to be effective in May 2002. After April 2002, please call 1-800-487-7000 to verify the location prior to visiting the office.

Effective January - April 2002

DETROIT, 48226

State of Michigan Plaza Building

1200 6th St., 2nd Floor, N. Tower

Effective May 2002

DETROIT, 48202-6060

Cadillac Place, Suite 2-200

3060 W. Grand Blvd.

ESCANABA, 49829

State Office Building, Room 7

305 Ludington St.

(open 8 - 12 only)

FLINT, 48502

State Office Building, 7th Floor

125 E. Union St.

GRAND RAPIDS, 49503

State Office Building, 3rd Floor

350 Ottawa St., NW

MARQUETTE, 49855

1055 W. Baraga

(open for forms only)

SAGINAW, 48607

State Office Building, 1st Floor

411-I E. Genesee St.

(open for forms only)

STERLING HEIGHTS, 48314

41300 Dequindre, Suite 200

TRAVERSE CITY, 49684

701 S. Elmwood Ave., Box 14

(open 8 - 12 only)